

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-24/25  
Record Request Response

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**Record Request No.: DTE-RR-26**

For the services provided by Unitil's energy service group associated with Fitchburg providing default service to its customers, please separately identify the costs associated with these activities: the actual solicitation of the supplier who provides default-service supply, the load-reporting activities that are needed to support the requirements placed on the company by the ISO for its default-service customers, and the billing related functions associated with getting bills from the default-service supplier. And in reporting those costs, if you could break down the costs into 3 components: directly assigned costs (for example, salary) allocated costs (for example, overhead, administrative and outside costs); and legal fees. Also, if all your default-service customers became competitive-supply customers, would the company continue to incur costs associated with these services?

**Response:**

Attachment DTE-RR-26, Pages 1 through 8 provide the services provided, Unitil Service Corp. ("USC") labor and overhead costs, and other related direct charges from third parties for default service for the energy service, accounting, finance and regulatory groups. FG&E has identified and included additional default service costs associated with the Communication Department. Page 1 summarizes the costs incurred by these groups. Pages 2 through 8 provide individual workpapers for each group showing development of the costs summarized on Page 1.

Note that the costs provided are not actual test year costs but rather are estimated annual costs based on a review by each USC department of time spent on activities related to Default Service. Estimates are provided based on the current framework for Default Service and level of Default Service activity.

The table on Page 1 also indicates for each activity performed whether like services are provided for competitive supply customers. If yes, then FG&E would continue to incur these costs if the Default Service customers became competitive supply customers. When the answer is no, third party costs would not be incurred if the Default Service customers became competitive supply customers. These costs are considered variable costs. Although the activities specific to the support of default service would no longer be performed if Default Service were eliminated, the labor and overhead costs of the individuals performing these tasks would not necessarily be eliminated or avoided as these tasks represent only a small portion of their overall workload.

**Person Responsible:** Mark H. Collin

**Fitchburg Gas and Electric Light Company**  
**DTE-RR-26**  
**Summary of Costs in Support of Default Service**

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Activity	USC Labor & Overhead	Other related Direct Charges	Total Annual Cost	Like Services Provided for Competitive Supply Customers?
<b><u>Energy Services Department</u></b>				
Solicitation	\$15,563	\$31,600	\$47,163	No
Load Reporting	\$4,904	\$7,450	\$12,354	Yes
Billing	<u>\$6,500</u>	<u>\$0</u>	<u>\$6,500</u>	No
Total	\$26,967	\$39,050	\$66,017	
<b><u>Finance Department</u></b>				
Treasury Operations	<u>\$842</u>	<u>\$120</u>	<u>\$962</u>	No
Total	\$842	\$120	\$962	
<b><u>Customer Service Department</u></b>				
Customer Service	\$8,937	\$0	\$8,937	Yes
Remittance Processing	\$270	\$0	\$270	Yes
Customer Billing	<u>\$5,034</u>	<u>\$0</u>	<u>\$5,034</u>	Yes
Total	\$14,241	\$0	\$14,241	
<b><u>Accounting Department</u></b>				
General Accounting Activities	\$1,757	\$407	\$2,164	(1)
Accounts Receivable Activities	\$251	\$0	\$251	(1)
Accounts Payable Activities	<u>\$100</u>	<u>\$0</u>	<u>\$100</u>	(1)
Total	\$2,108	\$407	\$2,515	
<b><u>Regulatory Department</u></b>				
Regulatory Filings and Support	\$4,914	\$7,000	\$11,914	No
Generic Proceedings	<u>\$7,479</u>	<u>\$18,000</u>	<u>\$25,479</u>	No
Total	\$12,393	\$25,000	\$37,393	
<b><u>Communications Department</u></b>				
Printing	<u>\$2,088</u>	<u>\$7,802</u>	<u>\$9,890</u>	No
Total	\$2,088	\$7,802	\$9,890	
Total (All Departments)	\$58,639	\$72,379	\$131,018	

(1) For most Accounts Receivable activities, like services will not be provided for competitive suppliers.  
For certain other tasks, this will depend on the agreement between FG&E Electric Division and the supplier.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Default Service Costs - Energy Services Department**

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**Solicitation**

Notes:

1	Average Cost of Labor per Hour	\$	37.74	1
2	Estimated Annual Hours Required to Accomplish Task		237 Hrs.	
3	Cost of Labor	\$	8,944	
4	Labor-Related Overheads (74%)	\$	6,619	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>15,563</b>	
6	<b>Other Related Direct Charges (legal costs)</b>	<b>\$</b>	<b>31,600</b>	3
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>47,163</b>	

**Load Reporting**

11	Average Cost of Labor per Hour	\$	19.99	1
12	Estimated Annual Hours Required to Accomplish Task		141 Hrs.	
13	Cost of Labor	\$	2,819	
14	Labor-Related Overheads (74%)	\$	2,086	
15	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>4,904</b>	4
16	<b>Other Related Direct Charges (Logica)</b>	<b>\$</b>	<b>7,450</b>	5
17	<b>Total Annual Cost</b>	<b>\$</b>	<b>12,354</b>	

**Billing**

21	Average Cost of Labor per Hour	\$	27.67	1
22	Estimated Annual Hours Required to Accomplish Task		135 Hrs.	
23	Cost of Labor	\$	3,735	
24	Labor-Related Overheads (74%)	\$	2,764	2
25	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>6,500</b>	
26	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>-</b>	
27	<b>Total Annual Cost</b>	<b>\$</b>	<b>6,500</b>	
28				
29	<b>Total Annual Energy Services Department Cost</b>	<b>\$</b>	<b>66,017</b>	

- 1) Hourly wages for positions effective 2002.
- 2) Based on Unitil Service Corp overhead rate of 74%.
- 3) Legal costs include the review of the contracts and filings with the MDTE
- 4) Allocated 1/3 each to Default Service, Standard Offer Service and Competitive Supplier representing need to report to ISO for underlying loads. Work level will not vary much except to set up a new supplier.
- 5) Logica costs allocated based on meters. Logica provides load estimation service.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Default Service Costs - Finance Department**

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**Treasury Operations**

Notes:

1	Average Cost of Labor per Hour	\$	26.89	1
2	Estimated Annual Hours to Accomplish Task		18 Hrs.	
3	Cost of Labor	\$	484	
4	Labor-Related Overheads (74%)	\$	358	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>842</b>	
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>120</b>	
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>962</b>	

1) Hourly wages for positions effective 2002.

2) Based on Unitil Service Corp overhead rate of 74%.

**General Notes:**

Treasury Operations for the Finance Department represents labor and overhead for the preparation and execution of wire transfer payments to the vendor and the external fees associated with the wire transfer transaction.

**Fitchburg Gas & Electric Light Company**  
**Estimate of Annual Default Service Costs - Customer Services Department**

Notes:

<b><u>Customer Service</u></b>				
1	Average Cost of Labor per Hour	\$	16.84	1
2	Estimated Annual Hours to Accomplish Task		305 Hrs.	
3	Cost of Labor	\$	5,136	
4	Labor-Related Overheads (74%)	\$	3,801	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>8,937</b>	
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>-</b>	
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>8,937</b>	
8				
9	<b><u>Customer Remittance Processing</u></b>			
10	Average Cost of Labor per Hour	\$	15.50	1
11	Estimated Annual Hours to Accomplish Task		10 Hrs.	
12	Cost of Labor	\$	155	
13	Labor-Related Overheads (74%)	\$	115	2
14	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>270</b>	
15	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>-</b>	
16	<b>Total Annual Cost</b>	<b>\$</b>	<b>270</b>	
17				
18	<b><u>Customer Billing</u></b>			
19	Average Cost of Labor per Hour	\$	17.86	1
20	Estimated Annual Hours to Accomplish Task		162 Hrs.	
21	Cost of Labor	\$	2,893	
22	Labor-Related Overheads (74%)	\$	2,141	2
23	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>5,034</b>	
24	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>-</b>	
25	<b>Total Annual Cost</b>	<b>\$</b>	<b>5,034</b>	
26				
27				
28	<b>Total Customer Service Costs</b>	<b>\$</b>	<b>14,241</b>	

- 1) Hourly wages for positions effective 2002
- 2) Based on Unitil Service Corp overhead rate of 74%

**General Notes:**

Customer Service responsibilities include: plan, direct and coordinate the activities of the Customer Service area to ensure that prompt, courteous, accurate and professional services are provided to all customers of our client companies. This function is also responsible for ensuring that high standards in the management of accounts receivables are achieved in the Credit and Collections area of the Company. Assumed 15% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

Customer Remittance Processing responsibilities include: ensure that customer bill payments for all services are processed and posted accurately and timely to the customer's account in the customer information system. This function is also responsible for printing and preparing the customer bills for mail processing. Assumed 5% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

Customer Billing responsibilities include: ensure that customer billing information for customers is processed accurately and timely. This function also ensures accurate and timely bill processing by utilizing computer programs that define normal historic customer usage and actual meter readings. Assumed 30% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Default Service Costs - Accounting Department**

1	<b><u>General Accounting Activities</u></b>		Notes:
2			
3	<b><u>Key Revenue Amounts to Default Model</u></b>		
4	Average Cost of Labor per Hour	\$ 24.04	1
5	Estimated Annual Hours Required to Accomplish Task	12 Hrs.	
6	Cost of Labor	\$ 288	
7	Labor-Related Overheads (74%)	\$ 213	2
8	Total Cost	\$ 502	
9			
10	<b><u>Run FRX reports to verify revenue and expenses</u></b>		
11	Average Cost of Labor per Hour	\$ 24.04	1
12	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
13	Cost of Labor	\$ 72	
14	Labor-Related Overheads (74%)	\$ 53	2
15	Total Cost	\$ 125	
16			
17	<b><u>Key Expense amounts to Default Model</u></b>		
18	Average Cost of Labor per Hour	\$ 24.04	1
19	Estimated Annual Hours Required to Accomplish Task	6 Hrs.	
20	Cost of Labor	\$ 144	
21	Labor-Related Overheads (74%)	\$ 107	2
22	Total Cost	\$ 251	
23			
24	<b><u>Calculate over/under collection on model</u></b>		
25	Average Cost of Labor per Hour	\$ 24.04	1
26	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
27	Cost of Labor	\$ 72	
28	Labor-Related Overheads (74%)	\$ 53	2
29	Total Cost	\$ 125	
30			
31	<b><u>Calculate interest on over/under collection</u></b>		
32	Average Cost of Labor per Hour	\$ 24.04	1
33	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
34	Cost of Labor	\$ 72	
35	Labor-Related Overheads (74%)	\$ 53	2
36	Total Cost	\$ 125	
37			
38	<b><u>Send completed models to regulatory dept and discuss any issues/questions</u></b>		
39	Average Cost of Labor per Hour	\$ 24.04	1
40	Estimated Annual Hours Required to Accomplish Task	6 Hrs.	
41	Cost of Labor	\$ 144	
42	Labor-Related Overheads (74%)	\$ 107	2
43	Total Cost	\$ 251	
44			
45	<b><u>Check if interest rate has changed</u></b>		
46	Average Cost of Labor per Hour	\$ 24.04	1
47	Estimated Annual Hours Required to Accomplish Task	2 Hrs.	
48	Cost of Labor	\$ 48	
49	Labor-Related Overheads (74%)	\$ 36	2
50	Total Cost	\$ 84	
51			
52	<b><u>Create files for new year</u></b>		
53	Average Cost of Labor per Hour	\$ 24.04	1
54	Estimated Annual Hours Required to Accomplish Task	2 Hrs.	
55	Cost of Labor	\$ 48	
56	Labor-Related Overheads (74%)	\$ 36	2
57	Total Cost	\$ 84	
58			

59	<u>Update FRX reports as needed</u>		Notes:
60	Average Cost of Labor per Hour	\$ 24.04	1
61	Estimated Annual Hours Required to Accomplish Task	<u>2</u> Hrs.	
62	Cost of Labor	\$ 48	
63	Labor-Related Overheads (74%)	<u>\$ 36</u>	2
64	Total Cost	\$ 84	
65			
66	<u>Budget preparation</u>		
67	Average Cost of Labor per Hour	\$ 24.04	1
68	Estimated Annual Hours Required to Accomplish Task	<u>3</u> Hrs.	
69	Cost of Labor	\$ 72	
70	Labor-Related Overheads (74%)	<u>\$ 53</u>	2
71	Total Cost	\$ 125	
72			
73			
74	<b>Total Labor and Overhead Cost</b>	<b>\$ 1,757</b>	
75	<b>Other Related Direct Charges</b>	<b>\$ 407</b>	3
76	<b>Total Annual General Accounting Cost</b>	<b>\$ 2,164</b>	
77			
78	<u>Accounts Receivable</u>		
79			
80	<u>Post Revenue to General Ledger.</u>		
81	Average Cost of Labor per Hour	\$ 24.04	1
82	Estimated Annual Hours Required to Accomplish Task	<u>3</u> Hrs.	
83	Cost of Labor	\$ 72	
84	Labor-Related Overheads (74%)	<u>\$ 53</u>	2
85	Total Cost	\$ 125	
86			
87	<u>Verify Revenue to HTE system</u>		
88	Average Cost of Labor per Hour	\$ 24.04	1
89	Estimated Annual Hours Required to Accomplish Task	<u>3</u> Hrs.	
90	Cost of Labor	\$ 72	
91	Labor-Related Overheads (74%)	<u>\$ 53</u>	2
92	Total Cost	\$ 125	
93			
94	<b>Total Labor and Overhead Cost</b>	<b>\$ 251</b>	
95	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
96	<b>Total Accounts Receivable Cost</b>	<b>\$ 251</b>	
97			
98	<u>Accounts Payable</u>		
99			
100	<u>Pay power vendor(s)</u>		
101	Average Cost of Labor per Hour	\$ 19.23	1
102	Estimated Annual Hours Required to Accomplish Task	<u>3</u> Hrs.	
103	Cost of Labor	\$ 58	
104	Labor-Related Overheads (74%)	<u>\$ 43</u>	2
105	Total Cost	\$ 100	
106			
107			
108	<b>Total Labor and Overhead Cost</b>	<b>\$ 100</b>	
109	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
110	<b>Total Accounts Payable Cost</b>	<b>\$ 100</b>	
111			
112	<b>Total Annual Accounting Department Cost</b>	<b>\$ 2,515</b>	

1) Hourly wages for positions effective 2002

2) Based on Util Service Corp overhead rate of 74%

3) Accounting Department "Other Related Direct Charges" represent services provided by external auditors, based on 2% of \$61K/yr total audit cost allocated equally between Transition, Standard Offer Service and Default Service.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Default Service Costs - Regulatory Services Department**

Notes:

<b><u>Regulatory Filings and Support</u></b>				
1	Average Cost of Labor per Hour	\$	30.70	1
2	Estimated annual hours		92 Hrs.	
3	Annual Labor Costs for Regulatory Service Staff	\$	2,824	
4	Labor-Related Overheads (74%)	\$	2,090	2
5	<b>Total Regulatory Services Labor and OH</b>	<b>\$</b>	<b>4,914</b>	
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>7,000</b>	3
7	<b>Total</b>	<b>\$</b>	<b>11,914</b>	
8				
9				
10	<b><u>Generic Proceedings</u></b>			
11	Average Cost of Labor per Hour	\$	30.70	1
12	Estimated annual hours		140 Hrs.	
13	Annual Labor Costs for Regulatory Service Staff	\$	4,298	
14	Labor-Related Overheads (74%)	\$	3,181	2
15	<b>Total Regulatory Services Labor and OH</b>	<b>\$</b>	<b>7,479</b>	
16	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>18,000</b>	3
17	<b>Total</b>	<b>\$</b>	<b>25,479</b>	
18				
19				
20	<b>Total Annual Costs</b>	<b>\$</b>	<b>37,393</b>	

- 1) Average hourly wages for positions effective 2002
- 2) Based on Unitil Service Corp overhead rate of 74%
- 3) Estimated legal bills and miscellaneous costs i.e. travel, required publication of notices and transcripts for generic proceedings.

**General Notes:**

Regulatory Filings and Support pertains to preparation of rate filings, review of accounting data, tariff administration, communication of rate changes and filing support.

Generic Proceedings pertain to attending hearings and technical sessions, preparing and filing comments, review of orders, and preparing compliance filings. Costs depend on nature of proceeding, length of proceeding, complexity of issues involved and number of hearings or meetings.



**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Default Service Costs - Communication Department**

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**Communication Operations**

Notes:

1	Average Cost of Labor per Hour	\$	30.00	1
2	Estimated Annual Hours to Accomplish Task		40 Hrs.	
3	Cost of Labor	\$	1,200	
4	Labor-Related Overheads (74%)	\$	888	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>2,088</b>	
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>7,802</b>	
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>9,890</b>	

1 Hourly wages for positions effective 2002

2 Based on Unitil Service Corp overhead rate of 74%

**General Notes:**

Communication Operations include printing Default Service brochures and updated rate summaries.